

# Memorandum

To: Panel Members Date: November 21, 2002

From: Charles Rufo, Manager Analyst: J. Daunt  
Peter DeMauro, General Counsel

Subject: One-Step Agreement for **Cellco Partnership, d.b.a. Verizon Wireless**  
www.verizonwireless.com

## **CONTRACTOR:**

- Training Project Profile: Retraining: Companies with Out-of-State Competition
- Legislative Priorities: Moving to a High Performance Workplace
- Type of Industry: Communication
- Repeat Contractor: Yes
- Contractor's Full Time Employees:
  - Company Wide: 288,000
  - In California: 7,000
- Fringe Benefits: Yes
- Union Representation: No
- Name and Local Number of Union representing workers to be Trained: N/A

## **CONTRACT:**

- Program Costs: \$2,850,146
- Substantial Contribution: \$0
- Total ETP Funding: \$2,850,146
- In-Kind Contribution: \$4,000,000
- Reimbursement Method: Fixed-Fee
- County(ies) Served: Orange, Sacramento, San Diego
- Duration of Agreement: 24 months

**SUBCONTRACTORS:**

Deloitte & Touche, LLP, San Jose, California, 13.04 percent of funds earned, for Administrative Services.

PeopleSoft, Pleasanton, California, not to exceed \$645,000, for training services.

New Horizons Computer Learning Centers, Inc., Anaheim, California, dollar amount to be determined, for training services.

Global Knowledge, San Mateo, California, dollar amount to be determined, for training services.

**THIRD PARTY SERVICES:**

Deloitte & Touche, LLP, San Jose, California, assisted in the preparation of the application, Training Plan, and application documents for an hourly fee of \$300 per hour, not to exceed a total of \$100,000.

**PRIOR PROJECTS:**

The following are completed project statistics for ETP Agreements with this Contractor within the last five years:

Agreement No.	Location (City)	Term	Agreement Amount	Amount Earned	% Earned
ET7-0032	Walnut Creek	09/12/1996-09/11/1998	\$780,000	\$423,200	54.3%
ET9-0932	Sacramento	01/11/1999-01/10/2001	\$601,880	\$287,040	47.7%

Comment: Representatives of Verizon Wireless (VZW), formerly Airtouch Communications, state that the second ETP project (ET9-0932) was not as successful as had been anticipated for the following reasons: (1) The first ETP contract was developed by company employees who were not sufficiently familiar with VZW's training function. (2) Due to increases in customer demands and productivity levels, VZW could not afford to have all the planned trainees participate in the training, and could not allocate resources to effectively administer the contract. (3) The previous contract included too much structured, on-site training (SOST), which the company had difficulty tracking. To avoid these difficulties, VZW has instituted the following: (1) The training plan was developed by company personnel who are directly involved with training and human resources functions. (2) VZW has instituted better organized business operations that reflect a commitment to training in general and to a more realistic training schedule for employees. (3) No SOST is being requested in the current application.

**NARRATIVE:**

This Agreement was originally presented at both the September and the October 2002 Panel meetings, but due to a recusal at each meeting, there was no quorum at either meeting to act on the application.

This application was brought to ETP through the services of the California Technology, Trade and Commerce Agency (TTCA).

This will be the Contractor's third Agreement. The Folsom and Rancho Cordova sites of Cellco Partnership, dba Verizon Wireless are eligible for ETP funding under Title 22, California Code of Regulations, Section 4416(a)(3, 4), as facilities providing services to customers located both in-state and out-of-state. The Irvine and San Diego sites of Cellco Partnership, dba Verizon Wireless, are eligible for ETP funding under Title 22, California Code of Regulations, Section 4416(a)(4), as facilities providing

**NARRATIVE:** (continued)

services that are in direct competition with out-of-state companies providing the same services to a California customer base. In the near future, VZW will redirect a portion of its service of out-of-state customers to the Irvine and San Diego locations.

Verizon Wireless is a joint venture of two publicly held companies: Verizon Communications and Vodafone. In September 1999, Bell Atlantic (later merged with GTE to form Verizon Communications) and Vodafone agreed to combine their U.S. mobile wireless telecommunications businesses into a partnership with the trade name of Cellco Partnership, doing business as Verizon Wireless.

Headquartered in Bedminster, New Jersey, VZW provides wireless voice and data services and products, and resells paging services to both business and individual consumers. As of June 2000, VZW operated almost 11,800 retail stores, kiosks, and carts worldwide. The worldwide employee population (including Vodafone and Verizon Communications employees) is approximately 288,000. Of these, approximately 7,000 are located in California.

The training will take place at Rancho Cordova, San Diego, Irvine, and Folsom. These are the locations of the four California call centers serving VZW customers in the Western United States. Approximately 4,013 full-time employees are currently working at these four sites.

Verizon Wireless is faced with changing technology and methods of communication, as well as growing customer demands and expectations. With such competitors as Cingular, Nextel, Sprint and AT&T Wireless, VZW's success in the wireless communications industry requires enhancements in both productivity and customer service. Company officials state that VZW has invested more than \$8 billion to maintain and improve its networks and to deliver and expand its wireless services nationwide. VZW officials view extensive training as critical to meeting company goals.

At its facilities in Folsom, Rancho Cordova, Irvine, and San Diego, VZW is converting from the ACTION billing system to the VISION billing system. Once the conversion is complete, VZW call centers will be able to answer customers' calls from throughout the United States. Currently, calls come from the Western United States only. VZW officials have determined that handling calls from across the country will reduce customers' average time spent on hold. VZW is also implementing the Computer Assisted Collections System (CACS) and PeopleSoft systems, to further enhance customer service.

In the wireless industry, technology changes rapidly. VZW must keep pace with constantly evolving technology. In this atmosphere, VZW employees are affected at every level of the organization. The sales, network, call centers, and customer service employees require up-to-the-minute information so they can advise customers accurately concerning what services are available and how new products work. The information technology department must also be able to change and adapt current systems to accommodate more expansive wireless services.

Additionally, customer demand is increasing rapidly. Customers are demanding larger service areas and clearer connections. They are demanding assurances that they can use their cellular phones wherever they go. Furthermore, customers use their cellular phones not just for talking but also for storing information, gaining Internet access, and sending text messages. In addition, customers demand 24-hour, 7-day-a-week service, and increasingly utilize the Internet for business and personal needs. VZW has embraced such changes in order to 1) meet customer demands and 2) increase technological efficiency. The company is currently implementing web-chat technology as an alternative to phone communication, and is also making significant investments in its on-line and web-based communication systems to do business with client companies and customers.

**NARRATIVE:** (continued)

To address these needs and accommodate on-going changes, VISION has been designed as a primary billing system for VZW. The company goals in implementing this system include increases customer loyalty and satisfaction, in that customer accounts will be accessed, serviced and maintained from any access point within the company. In addition, VZW also expects to gain greater efficiency through this standardization of the billing system. To assist and enable VZW achieve these goals, training in all of the following areas is included in the curriculum:

**Commercial Skills:** Training in Commercial Skills will be provided to all occupations identified in the Training Plan table, Jobs 1 through 7. VZW will convert to a new collections management system called CACS that houses all collection activities, financial reporting, debt management, and revenue loss. All collections functions will be housed in one centralized application, thus creating greater productivity and more effective cost management. Additionally, the courses involving Call Activation Systems under Commercial Skills will provide training in the implementation and usage of VZW's activation systems. The training is critical in establishing service for new customers and expanding service for its existing customers. These systems are also used to upgrade customers to its new and/or advanced technology for wireless products and services.

**Computer Skills:** Training in Computer Skills will be provided to all occupations identified in the Training Plan table, Jobs 1 through 7. PeopleSoft is a universal employee database that houses information regarding employee background, salaries, performance assessments, training, career path and other categories. PeopleSoft is a software that has not previously been in use at VZW. Conversion has begun. For optimal use, training among various employee units is required. Conversion to PeopleSoft, and accompanying training in this software have been determined to be necessary for increased efficiency in human resources functions, as well as for enabling employees to manage direct on-line reports and data review and collection. Computer Skills training is also necessary in the use of the company's Interactive Voice Response Unit, which is part of the company's VZServ software system. This system has applications both on the Web and in the use of traditional hand-held telecommunication devices. Furthermore, VZW has included Computer Skills training that is directly connected to the company's Call Activation Systems, training which is provided primarily under Commercial Skills (see above).

**Continuous Improvement:** Training in Continuous Improvement will be provided to all occupations identified in the Training Plan table, Jobs 1 through 7. The courses for customer improvement are critical in meeting the competitive needs of the wireless industry. The courses serve as reinforcement of Verizon Wireless Core Values and branding to differentiate Verizon from local and national competitors to better meet the ever-changing technology in the wireless industry. There are also troubleshooting courses, which are designed to provide customer-facing employees with basic to advanced troubleshooting skills, as they relate to enhanced wireless products and services. This training is critical for adequately providing for customers' needs in using VZW's products and services. Furthermore, under Continuous Improvement, project management courses are included, and have been determined to be critical in ensuring effective management of major product/program launches. Because many of the project timelines are closely linked with competitive launch dates, timely provision of this training is important.

**Supplemental Nature of Training**

The training contained in the current application will not displace existing training historically provided by Cellco Partnership, dba Verizon Wireless. The following on-going training has been and will continue to be provided at VZW on an as-needed basis separate and apart from the proposed ETP-funded training:

**NARRATIVE:** (continued)

1. General computer skills for administrative clerical employees;
2. Leadership skills training for those employees seeking promotion;
3. New hire orientations;
4. Refresher training courses for those needing individualized attention;
5. Training courses related to new company-wide initiatives;
6. General sales training, e.g., how to close the deal; and
7. Basic customer service training, e.g., how to take a call.

VZW representative's state that the training in the current ETP application differs significantly from the general training listed above. The ETP training plan is designed to go above and beyond the status quo, in order to enable the company to provide improved customer service and to institute the changes in business processes, which the training is expected to facilitate.

In the past, training was delivered on an as-needed basis. Now, the company will give a formal structure to the provision of the training contained in this proposal, to better implement the company's intent to deliver required occupational skills to a wider portion of the employee population. The training plan in its totality therefore differs from training previously provided.

Without ETP training funds, VZW could not provide the requested supplemental training to update its workers' skills within the timeframes needed to successfully maintain and grow market share. VZW is not receiving training funds from any other source and has no plans to receive training funds from any other source. The company is making a significant investment in both systems and the skills of their employees but needs the assistance of the ETP to successfully reach the training goals VZW has set.

In the two years following the completion of the ETP agreement, VZW intends to continue to provide a continued training, which will build on the foundation of this project to sustain and reinforce the skills gained with the ETP support. VZW estimates that costs for training will be approximately \$5 million during the two years following the ETP agreement, including wages and benefits paid to all trainees during training. Company officials state that VZW does not currently have \$5 million budgeted for training, it is only an estimated amount.

**In-Kind Contribution**

The anticipated cost of wages for the trainees while they are receiving the ETP-funded training is estimated at \$4 million.

**COMMENTS:**

Most participants in this project meet the Panel definition of frontline worker under Title 22, California Code of Regulations, Section 4400(ee), except for 417 Managers and 30 Associate Directors (total 447) who will also be participating in the project, representing 18.1 percent of the trainees.

VZW has certified in writing that no senior-level managers or executive staff who set company policy will be included as trainees.

**COMMENTS:** (continued)

**Turnover Rate Waiver Request**

Title 22, California Code of Regulations, Section 4417(a) gives ETP the authority to waive the ETP minimum employee turnover requirements for ETP applicants and accept a higher turnover rate, "if the employer provides evidence that the proposed training will significantly decrease the turnover rate, or the employer has experienced a singular reduction in force or other occurrence which adversely affected the turnover rate in the last calendar year, or if industry data supports a higher turnover rate" (Section 4417(a) quoted in part).

VZW is requesting a waiver of the 20 percent turnover requirement in 2001 since the average turnover at the four participating locations (Irvine, San Diego, Folsom, and Rancho Cordova) equaled 24.1 percent. The request is based on the company's statements that 1) annual industry turnover rates at call centers range from 25 percent up to 187 percent, and 2) the proposed training will reduce the turnover rates at the three VZW facilities where the 2001 turnover is higher than the 20 percent benchmark. Company officials have obtained and provided turnover information from two industry-specific sources (*a.* CommWeb Magazine Network, and *b.* Call Center News Service), showing that the turnover rates at VZW's California facilities compare favorably with the industry. VZW officials further state that these turnover rates have been declining during calendar year 2002, and that the workplace improvements that will result from the training program will accelerate these declines.

**Staff Recommendation**

Staff recommends that the Panel approve VZW's request for a waiver of the 20 percent turnover requirement. The high turnover rates are supported by higher industry turnover, and the types of training to be provided are designed not only to improve occupational skills but also to enhance employees' commitment to the company's mission and goals, which should indirectly contribute to reduced turnovers.

**Previous Panel Meetings**

Officials of VZW were asked by the Panel at the September 2002 Panel meeting to extend the 90-day retention period to 150 days, due to concerns over high turnover within the industry generally. Staff had also recommended a provision that Verizon Wireless will not earn the final 25 percent reimbursement unless the company achieves an average turnover rate of 24 percent or less for the last 12 months of the Agreement, also because of turnover concerns. However, due to Panel recusals at the September and October 2002 Panel meetings, there was no quorum at either meeting to act on the application.

Subsequent to the October 2002 Panel meeting, representatives of Verizon Wireless provided ETP with written confirmation that the company accepts both proposals: 1) a 150-day retention period, and 2) not earning the final 25 percent reimbursement unless an average turnover rate of 24 percent or less is achieved for the last 12 months of the Agreement. These provisions have been included in the Agreement.

**PROPOSED ACTION:**

Staff recommends that the Panel find the application from Cellco Partnership, dba Verizon Wireless reasonable and approve the One-Step Agreement and turnover rate waiver request, if funding is available and the project meets Panel priorities. Staff further recommends that the Panel impose both a 150-day retention period, and a 24 percent maximum turnover at all participating facilities to avoid the 25 percent withholding. Company officials have stated that the training outlined in this proposal will provide employees with the occupational skills necessary for Verizon Wireless to significantly improve productivity and enhance overall business viability.

**TRAINING PLAN:**

<b>Job Numbers / Trainee Type</b>	<b>Types of Training</b>	<b>Number to Retain</b>	<b>Number Class/Lab Videocnf. Hrs</b>	<b>Number CBT Hrs</b>	<b>Number SOST Hrs.</b>	<b>Cost per Trainee</b>	<b>Hourly Wage after 90 days</b>
Job Numbers 1-7 Retrainees	Commercial Skills Computer Skills Continuous Improvement	2,466	40-107	0	0	\$520- \$1,391	\$12.01- \$69.71
						<b><u>Range of Hourly Wages</u></b>	
						\$12.01-\$69.71	
						<b><u>Prevalent Hourly Wage</u></b>	
						\$15.25	
						<b><u>Average Cost per Trainee</u></b>	
						\$1,156	
<b><u>Health Benefit used to meet ETP minimum wage:</u></b>				<b><u>Turnover Rate</u></b>		<b><u>% of Mgrs &amp; Supervisors to be trained:</u></b>	
Although the employer pays health benefits for its employees, the hourly contribution is not being used to meet the ETP minimum wage.				24.1%		18.1%	

Hours  
Class/Lab  
40-107

Trainees will receive any of the following:

### CONTINUOUS IMPROVEMENT

#### Customer Improvement

Churn Rally/Depot:

- Building Customer Loyalty
- Reducing Technical Problems
- Increasing Responsiveness to Customers

Save / Loyalty:

- Assessing Customer Needs
- Customer Retention / Satisfaction

Guarantees to Customers

#### Call Sequencing

Customer Focus

Bridge to Business

Offer Options & Make Recommendations

Gaining Customer Agreement

Summarizing the Call

Case Study

#### Trouble Shooting

Network/System Performance

Wireless Equipment Troubleshooting

Antenna Polarization

Cable and Connector

Antenna Types

Troubleshooting Matrix

Technical Support and Services

Landline Troubleshooting

Mobile Number Prefix Inventory

Customers Not Receiving Calls

#### Automated Customer Support System (ACSS) Topview

System Overview

Log On Procedures

Automated Customer Support System (ACSS) Main Screen

Customer Primary Information

Financial Information

Equipment Information

Diagnostician

Customer Follow-Up Abeyance

Other Functionalities

### CONTINUOUS IMPROVEMENT (continued)



### Collection Skills Techniques

Overcome Customer Objections to Collection Requests

Increase Your Dollars Collected

Negotiating for the Balance in Full with Every Call

### Systematic Problem Solving

Problem Identification

Priority-Setting

Problem Analysis

Skill Building

Direct Application

### Systematic Decision Making

Framing a Decision

Specifying Needs

Developing and Evaluating Options

Realistically Assess Risks

### Critical Thinking Workshop

Board Simulation Tool

Real World Wireless Issues

Critical Thinking Process

### Project Management

Definition

Planning

Implementation

Close-Out

### Managing Multiple Priorities

Establishing Priorities

Identifying Risks

Sharing Resources

Managing Energies

## COMMERCIAL SKILLS

### Mobile Web MicroSoft Network (MSN)

Product Integration  
Target Customer  
Pricing  
Features  
Integrating the Retail Sales Process  
Customer Activation Process  
Support and Escalation

### Express Network

Mobile Office Product  
Wireless Internet Connection

### Vision

System Navigation Review  
The Three-Panel Screen  
The Show Menu  
The Options Menu  
The Orders Menu  
The Maintenance Options Menu  
Miscellaneous Practice Exercises

### E-Collect

Terminology  
Logging In to E-Collect  
Steps for Processing an E-Collect Payment

### Computer Assisted Collections System (CACS)

Centralized Collections System  
Consistent Customer Treatment  
Increasing Collector Productivity

### Credit and Application Tracking System (CATS)

Direct Support to Retail Sales Agents  
Verizon Credit Scoring Model  
Billing and Activations System Interface

## COMPUTER SKILLS

VZServ / Verizon Service (on-line customer service system)

Interactive Voice Response Unit

Website

Handset

### Call Activation Systems

Magnum / Cellware

Handling Account Maintenance Requests from Customers

### People Soft Conversion

People Soft Tools 8.4 1 & 2

People Soft Integration Tools 8.12

People Soft PeopleCode 8.4

Accel. People Tools 8.4

App Engines